LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6392 | **NOTE PREPARED:** Nov 21, 2004
BILL NUMBER: SB 107 | **BILL AMENDED:**

SUBJECT: Child Care and Development Fund.

FIRST AUTHOR: Sen. Lawson C | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
X DEDICATED
X FEDERAL

Summary of Legislation: This bill requires child care providers to be licensed after June 30, 2007, in order to be eligible for Child Care and Development Fund (CCDF) participation. The bill allows certain child care homes, ministries, and programs that are exempt from licensure requirements to apply for licensure and be eligible for CCDF participation. It requires the Division of Family and Children to adopt rules to implement the licensure requirement.

Effective Date: July 1, 2005.

Summary of Net State Impact: Currently, 2,638 child care providers receiving CCDF vouchers are neither certified nor licensed. The Family and Social Services Administration (FSSA) spends approximately $490 annually to license a child care provider. Based on these numbers, a high-end estimate for licensing the 2,638 providers is $1.3 M annually. Expenditures for licensing are fully funded through the federal quality dollars. Thus, the state would experience no increase in expenditures.

Registration Fees: Child care ministries are required to pay a $50 registration fee to both the FSSA and the Office of the Fire Marshal; there are no fees for licensing. The state would experience a reduction in revenue as a result of this bill. The total reduction is dependent on the number of currently registered ministries that become licensed.

Explanation of State Expenditures: This bill would require child care providers in order to receive CCDF vouchers to be licensed through the FSSA. The bill does not require licensing for providers. Nonlicensed providers may continue to operate, however, they will no longer be eligible for CCDF vouchers. This bill applies to license-exempt home providers, child care ministries, and school-age child care programs that are currently not being licensed through another state regulatory authority.

Indiana currently licenses two types of child care providers: child care homes (with six or more children) and child care centers. Licensing includes an annual review of food, sanitation, health, program, fire, and safety factors. The number of providers licensed has steadily increased over the past three years.

Number of Providers Licensed and Total Expenditures:

State Fiscal Year	Number of Providers Licensed/Registered	Licensing/Registration Expenditures	Average Licensing/Registration Cost
2001	4,564	$1,100,000	$241.02
2002	4,698	$1,917,539	$408.16
2003	4,907	$2,386,107	$486.27

Current Licensing Costs: In FY 2003, FSSA spent approximately $490 to license a child care provider. It is, however, important to note that this number also includes the cost to register child care ministries. Child care ministries are registered annually. The requirements for registration are less stringent than that of licensing. Licensing staff are responsible for registering child care ministries. As a result, the exact expenditures for FSSA for licensing are not known. Child care ministries, however, represented only 12% of the total number of providers licensed and registered in FY 2003. Thus, it is likely that the overall expenditures for registering are minimal in comparison with licensing.

Registration Fees: Child care ministries are required to pay a $50 registration fee to both the FSSA and the Office of the Fire Marshal; there are no fees for licensing. The state would experience a reduction in revenue as a result of this bill. The total reduction is dependent on the number of currently registered ministries that become licensed.

Background on CCDF: The CCDF was created as a part of the 1996 federal welfare reform law. It combined all previously federally funded programs for child care into one funding source. The CCDF is funded entirely by the federal government; no state match is required. In addition, states may transfer up to 30% of TANF funds to the CCDF.

Current CCDF Funding: Indiana allocated $182.2 M in CCDF funding in FFY 2004. A total of 6,075 providers received CCDF vouchers; 2,638 of these providers, or 43%, were not licensed or registered. Of this 2,638, 2,309 were license-exempt providers and 329 were exempt centers. Currently, a waiting list exists with 10,817 children waiting for CCDF vouchers.

The federal government requires that the state use no less than 4% of the money appropriated to it for activities that are designed to provide comprehensive consumer education to parents and the public, activities to increase personal choice, and activities designed to improve the quality of child care and availability of child care. The latter items would include licensing of child care facilities. The FSSA reports that it will be able to use a portion of this money to fund licensing of CCDF providers. Thus, the state would experience no increase in expenditures when fulfilling the requirements of this bill.

Licensing Expenditures: The number of school-age facilities in the state is currently unknown. FSSA, however, reports that the majority of exempt centers are likely school-age programs. Assuming that the majority of the 2,638 providers (2,309 license-exempt providers and 329 exempt centers) would fall under the requirements of the bill, and multiplying this number by the $490 the FSSA spends to license providers, an annual increase of $1.3 M in expenditures is estimated to license all license-exempt providers and exempt centers currently receiving CCDF vouchers. Additional expenditures are not expected in order to register ministries. FSSA reports that money used towards certification of ministries can be used for licensing instead.

The exact number of providers necessitating licensing is, however, unknown. The likelihood of all exempt centers being school-age programs is small. Furthermore, a portion of providers who are currently not licensed may choose not to go through the licensing process. Indiana expends all CCDF funding allocated by the federal government. Additionally, as was mentioned above, there is a large waiting list for CCDF vouchers. Thus, it is assumed that as CCDF vouchers become available, a result of providers choosing to not become licensed, providers of newly eligible children (from the waiting list) will opt to become licensed. The actual number of providers is indeterminable since the waiting list identifies children as opposed to providers. Any number of providers could decide to become licensed if children in their care become eligible for CCDF vouchers. The total increase in expenditures is dependent on the number of nonlicensed providers receiving CCDF vouchers that choose to become licensed.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA; Office of the State Fire Marshal.

Local Agencies Affected:

Information Sources: Keith Carver, FSSA, 233-9238; Andrew Johnson, FSSA; Angela Hoover, FSSA, 233-0890; Janet Deahl, FSSA, 232-3096; Bob Vogt, Region V, Administration for Children and Families, 312-886-4927; Federal Register, 45 CFR Parts 98 and 99, Child Care and Development Fund; Final Rule; Michelle Thomas, FSSA, 234-2446.

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